

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash France PMI[®]

French private sector output rises despite manufacturing slowdown

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 54.3 in October from 54.0 in September (2-month high)
- Flash France Services Activity Index⁽²⁾ up to 55.6 in October (54.8 in September), 4-month high
- Flash France Manufacturing Output Index⁽³⁾ at 48.8 in October (50.3 in September), 27-month low
- Flash France Manufacturing PMI⁽⁴⁾ down to 51.2 in October (52.5 in September), 25-month low

Data collected October 12-23

At 54.3 in October, up from 54.0 in the previous month, the **IHS Markit Flash France Composite Output Index** indicated another improvement in output across the French private sector. The latest expansion was solid overall and above that recorded in the preceding survey.

Manufacturing companies in France reported a deterioration in output during the latest survey period, which was the first contraction since July 2016. According to anecdotal evidence, a decline in demand across the automotive sector led businesses to reduce their production in October. The rate of contraction was modest, however.

Continuing the current phase of growth recorded since July 2016, **service sector firms** in France's private sector reported the fastest rise in business activity for four months during October. The rate of growth was marked overall and above the historical average.

October data saw a marked upturn in **new business** across the French private sector, thereby stretching the current sequence of growth to 28 months. The expansion reflected stronger new business wins in the service sector. In contrast, partly reflecting weaker foreign demand for French-produced goods, new orders at manufacturing firms grew at the slowest pace in four months. New export orders fell

for the third time in the past four months.

Meanwhile, **job creation** accelerated in the latest survey period. The rate of employment growth was sharp and the strongest since April. The improvement was driven by stronger growth in the service sector, as jobs rose in manufacturing only slightly. Despite higher activity and employment, backlogs of work continued to increase at an elevated pace.

Higher fuel and wage bills added to **cost burdens** across the French private sector during October. Whilst the rate of input cost inflation slowed marginally since September, the general increase in price pressures was above the long-run average. Furthermore, manufacturing companies reported the sharpest increase in input costs since February.

In terms of **selling prices**, output charge inflation remained modest in the French private sector. The latest increase was below that registered in the preceding survey period, reflective of strong competition in the service sector, which restricted pricing power.

Finally, **business confidence** remained strongly optimistic. That said, positive sentiment eased fractionally since September, partly due to a deterioration in business confidence among manufacturing firms to the lowest in 28 months.

Comment

Commenting on the Flash PMI data, Sam Teague, Economist at IHS Markit said:

"October data signalled a mixed picture for the French private sector. On one hand, service sector activity growth accelerated to a four-month high thanks to stronger new business growth. On the other hand, the manufacturing sector shifted down a gear in October, as firms reported the first fall of output for over two years."

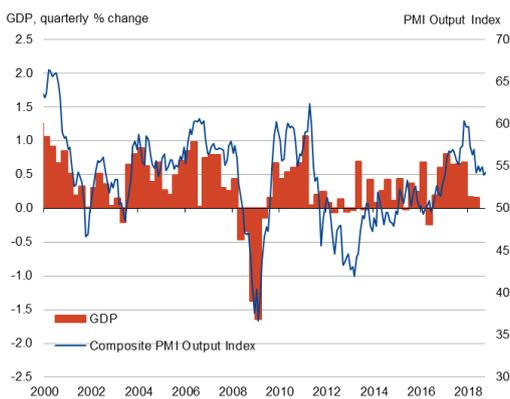
“Anecdotal evidence pointed towards a weaker automotive sector. This helped to explain another deterioration in manufacturing exports and the weakest level of business confidence among manufacturers for 28 months, which was partly linked to worries across the automotive supply chain.

“Nonetheless, job creation accelerated to a six-month high across the private sector, partly due to stronger inflows of new business. In spite of improved employment and output growth, capacity pressures remained elevated, particularly in the service sector.

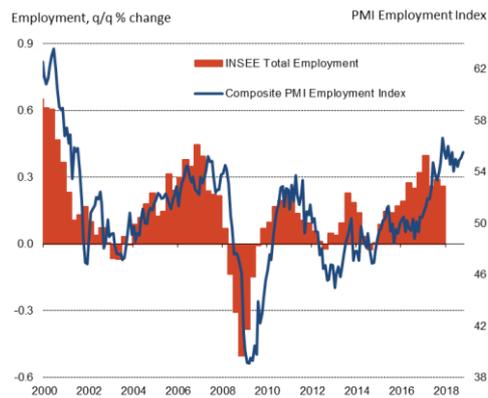
“On the price front, cost pressures continued to build amid higher fuel and wage bills. The latest data did suggest a slight respite for French businesses, however, with input price inflation easing marginally from September’s eight-month high.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final October data are published on November 2nd for manufacturing and November 6th for services and composite indicators.

The France PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of 750 companies based in the French manufacturing and service sectors. The **flash** estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
France Composite Output Index ⁽¹⁾	-0.1	0.4
France Manufacturing PMI ⁽³⁾	0.0	0.3
France Services Business Activity Index ⁽²⁾	-0.2	0.5

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Notes

1. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"
4. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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